

Islamic Financial Institutions and CSR Activity — A Case Study on Malaysia

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Abstract

This chapter focuses on corporate social responsibility (CSR) activities by Islamic financial institutions (IFIs) in Malaysia. It will detail these activities and the social justice realized within Malaysian society as a result. Company social contribution forms a main part of CSR activity. These activities grapple with social problems through communication between corporate, community, and NPO/NGO entities. Naturally, CSR activity varies between countries, as do social justice problems and goals. Social justice in Malaysia tends to mean national unity and ethnic tolerance, as Najib Tun Razak, Prime Minister of Malaysia, emphasizes with his “1 Malaysia” political slogan. Malaysian society expects corporate citizens to practice social justice principles. IFIs carry out many types of CSR activities to meet these expectations. Some aspects of IFI CSR activity - purpose, content and timing - are oriented by Islam. For example, events in the month of *Ramadan*, development of the *Ummah*, or protection of the socially vulnerable, like orphans. However, there are cases where the Islamic flavor is not readily apparent, like when IFIs invite non-Muslims to *Iftar*. Malaysians welcome IFI CSR activity which includes non-Islamic factors, even though the activity is based on Islam, because it is seen to further national unity, ethnic tolerance, and ultimately, social justice.

Key words: Islamic Financial Institution (IFI), Corporate Social Responsibility (CSR), Malaysia, *Zakat*, *Sadaga*

1 Introduction

An Islamic financial system excludes anti-Islamic factors like interest (*riba*) from, and inserts Islamic factors like *mudharaba* or *musharaka* contracts to, the conventional financial system. This Islamization has spread from banking to insurance,

bonds, securities, and unit trusts since the first Islamic bank began in Dubai, UAE in the 1970s. Malaysia has had more than thirty years in Islamic finance since the Islamic Banking Act was enacted in 1983, and the Takaful Act was enacted in 1984¹. Islamic financial institutions (IFI) include Islamic banks, *takaful* companies, securities companies dealing with *sukuk* (Islamic bonds), and settlor companies of Islamic unit trusts.

Most IFIs in Malaysia are private companies² incorporated by the Companies Act 1965, which is both modern and secular. Traditionally, private companies pursued profit to maximize shareholder value. Nowadays, more is expected of private companies, including the concept that they should engage in corporate social responsibility (CSR) activities depending on their scale and social influence. Public companies are thus expected to serve society above and beyond (i) providing commodities and services to customers, (ii) providing stable employment, and (iii) paying taxes.

This chapter details CSR activity by IFIs in Malaysia, and the resultant social justice outcomes. Section 2 outlines IFI CSR activities in Malaysia. Section 3 categorizes IFI CSR activity by purpose and description. Section 4 analyzes the Islamic characteristics of IFI CSR activity. Finally, Section 5 places the outcomes and meaning of IFI CSR activity in the context of Malaysian society.

This chapter looks at CSR activity by IFIs or financial groups with IFI subsidiaries, especially after 2006, when the Bursa Malaysia stock exchange required listed companies to issue CSR reports³. Data was gathered from annual reports, IFI websites, and media reports. This chapter also compares Malaysia with other Middle Eastern countries.

2 Outline of IFI CSR Activity

This section aims to (i) describe Malaysian CSR activities and (ii) place IFI CSR activities in the overall context of Malaysian CSR activities.

2.1 Malaysian CSR activities

The concept of CSR has been widely accepted by many societies and companies because it symbolizes good relationships between companies and stakeholders, including local communities. As it is important for both companies and their host societies to practice and accept CSR activities, many organizations, authorities, and scholars try to define this concept. One of the most popular definitions came from the European Commission in 2002 (European Commission 2002). The European Commission subsequently advocated a new simplified definition in 2011. That is, “the responsibility of enterprises for their impacts on society” (European Commission 2011). Similarly, the International Organization for Standardization, or ISO, issued ISO 26000 guidelines for CSR in 2010. The guidelines define CSR somewhat, but the general understanding of CSR activities is paraphrased as follows: social contributions through building relationships between companies in close communication with stakeholders.

What is recognized as suitable corporate social contributions by societies and citizens depends on the values of the societies to which each company belongs. Values are different between countries because values are constructed by each society’s ethnic makeup, religion, and history. If social justice differs between countries, it is natural that CSR activities to embody these social justice ideals vary accordingly.

Malaysia, like other countries, encourages CSR activities. Bursa Malaysia, the Malaysian stock exchange, even adjusted their guidelines for listed companies, “Listing Requirements of Bursa Malaysia Securities Berhad”, to this end in 2006. Listed companies are to disclose information on their CSR activities in their annual reports by Appendix 9 (C), Part A (29). CSR activity reports must follow the “Bursa Malaysia CSR framework” and address ‘Environment’, ‘Workplace’, ‘Community’, and ‘Marketplace’ criteria.

We can say that CSR activities are promoted in Malaysia because Bursa Malaysia has mandated CSR activity reporting by listed companies. It is now possible for companies to highlight their CSR activities to investors and customers in

their annual reports. This enables investors and customers to make investment and/or purchasing decisions based on each company's contribution to Malaysian society. This has led to , Malaysian companies undertaking more CSR activities.

2.2 The IFI as a Company, and its CSR Activities

IFI management is based on Islamic principles, which affects many aspects of IFIs. Firstly, financial commodities and services provided by IFIs like deposit-taking, financing, *takaful* insurance, and *sukuk*, are based on Islamic law. In Malaysia, only IFIs licensed by the Bank Negara Malaysia (Central Bank of Malaysia) or Securities Commission may provide Islamic financial commodities and services. Secondly, it is expected that an IFI's CSR activities are also based on Islam. Obeying the rules of Islamic finance is known as *Shariah* compliance. Each IFI must organize a 'Shariah Board', which consists of *Shariah* and/or Islamic transactional law experts, and which functions as an independent auditor to monitor the IFI's *Shariah* compliance.

In Malaysia, some providers of Islamic goods and services, financial or otherwise, are IFI customers. For example, companies which provide *halal* food and beverages, *halal* cosmetics, *halal* pharmaceuticals, Islamic tourism, and fashion (in particular, *tudung*/veils for Malay Muslim women). Some industries adopt unified standards for their products which are then enforced by authorities. The *halal* food industry has MS1500: 2009 as their unified standard and JAKIM, or the Department of Islamic Development Malaysia, as the certification body. Generally in these industries, only end products are certified according to Islamic principles. It is only in the Islamic finance industry where Islamic legal specialists additionally monitor whether internal management processes are *Shariah* compliant. Thus, IFI CSR activities tend to be more Islamic in character than those of companies in other industries.

The CIMB Group in 2013⁴ provides a typical example of IFI CSR activities. CIMB Group is a financial group with the Islamic bank subsidiary CIMB Islamic

Bank. CIMB Group's social contribution activities are managed by the CIMB Foundation, founded by CIMB Group. In other words, CIMB Group's social contributions are made through CIMB Foundation.

CIMB Foundation in 2013 spent RM11.02 Million towards social contribution activities. These activities included sports tournament sponsorship, donations to welfare organizations, and hosting charity events. Of the RM11.02 Million, 36.21% was spent on sports, 23.78% on education, 21.59% on community development, and 18.41% on donations. CIMB Group's net profit in 2013 was RM4.54 billion, meaning CIMB Group spent 0.24% of its net profit on social contribution activities in 2013.

3 IFI CSR Activity: Typology and Contents

IFI CSR activity generally has two Islamic characteristics. One is an Islamic motivation for the activity. For example, the IFI actively engages in CSR activity during the month of Ramadan when religious consciousness is highest among Muslims. The other is the choice of activity suited to Islamic ideals. Islam guides the greater part of shared social justice ideals in Malaysia. Malaysia, however, is multi-ethnic and multi-religious. Therefore, IFI CSR activities may also have non-Islamic characteristics.

This section categorizes IFI CSR activity by content and characteristics, especially activities where the IFI has built good relationships by dealing with social problems in local communities. There are four categorizations of CSR activity: (i) management form, (ii) offerings provided to CSR activities by IFIs, (iii) bodies and individuals supported by the CSR activity, and (iv) timing of the CSR activity.

3.1 Management Forms of CSR Activity

The first category focuses on management forms, that is, how CSR activity engagement occurs. Management forms are further divided into three types: (i) Managed by IFIs on a voluntary basis, (ii) managed by NGO/NPO or other entity with IFI financial and/or material support, and (iii) collaboratively planned

and managed by IFIs and other companies or organizations.

In the first category – organized and managed solely by IFIs - selection of causes, methods, and events are managed by the IFI itself. A typical event of this type is *Iftar*. RHB Baking Group, of which RHB Islamic Bank is an IFI subsidiary, hosted *Iftar* in July 2013⁵. As July 2013 corresponded with the month of *Ramadan* AH 1434, the Group hosted *Iftar* in all thirteen states simultaneously. Guests at the Kuala Lumpur event included 500 Group employees and 120 orphans and Islamic school students. In this case, RHB Banking Group's CSR activity consisted of inviting charitable organizations and schools, and donating food for *Iftar*.

The second category – IFIs providing assets, human resources, services, and other support for NPO/NGOs engaging in social activities – differs from the first type in that events are hosted by the NPO/NGO and not the IFI. Donations to the Sabah chapter of Yayasan Dakwah Islamiah Malaysia (YADIM) by CIMB Islamic Bank⁶ is one such example. In this case, CIMB Islamic Bank donated RM240,000 to YADIM for the construction of five traditional longhouses in Matunggong, Kudat, Sabah State. Building the longhouses was managed and led by YADIM, with CIMB Islamic Bank contributing financial support. The longhouses are now owned by the Rungus people who are *Bumiputera* Christians. Thus, CIMB Islamic Bank's donation had two outcomes: support for *Bumiputera*, and support for Christians, that is, non-Muslims.

The third category is IFI collaborative participation in events like blood donation campaigns, art exhibitions, sports competitions, and so on. While the event is usually hosted by another company or public agency, The IFI is a co-organizer, co-host, patron or sponsor. The IFI may contribute planning, event management, financial support, IFI services, or employee volunteers.

3.2 Type of IFI Offering toward CSR Activity

The second way to categorize CSR activity is by type of contribution made by the IFI in its CSR Activities. The contribution could be: (i) money or commodities purchased by the IFI, (ii) IFI employees or their families volunteering their time,

and/or (iii) provision of Islamic financial commodities and services and other facilities free of cost. It is common for resources in all categories to be contributed at the same time by the IFI.

In the first category, where the IFI contributes money or commodities, RHB Islamic Bank donated an ambulance costing RM160,000 to Lembaga Tabung Haji⁷ in November 2007, some weeks before the Month of *Dhu al-Hijjah* AH 1428. The ambulance was transported to Mecca, in the Kingdom of Saudi Arabia for the benefit of Malay Muslim pilgrims, who suddenly took ill during their *Hajj* or *Umrah*.

The second category – offering employee volunteer time - is rare in Malaysia but popular in the Middle East. Typical examples are blood donation campaigns. Dubai Islamic Bank (DIB) carried out a “blood donation drive” in cooperation with the Dubai Health Authority’s Dubai Blood Donation Center in June 2012. More than sixty DIB employees donated blood through this campaign⁸. DIB runs a regular blood donation campaign as a CSR activity. IFIs in Qatar also engage in this kind of campaign frequently. Blood donation campaigns are popular CSR activities in GCC (Gulf Cooperation Council) countries because of thalassemia, a prevalent genetic blood disease. As transfusions are required in the treatment of this disease, blood donation is recognized as an important social contribution in GCC countries.

In the third category, Public Islamic Bank and its parent company Public Bank initiated “the Relief Assistance Programme”, targeted at flood victims in 2013⁹. Under this program, both banks offered a six-month moratorium on monthly installments on loans and financing, like housing loans, hire purchase, and credit cards. This is a perfect example of an IFI providing Islamic financial services at a discount or for free as a CSR activity to support victims of natural disasters.

3.3 Recipients

The third way to categorize IFI CSR activity is by target recipient characteristics:

(i) Muslims or Non-Muslim, (ii) Malaysian residents or non-residents, or (iii) cause of social vulnerability, that is, aged, disabled, orphans, victims of natural disasters, or refugees and IDPs (Internally Displaced Persons).

Some cases from subsection 3.1 and 3.2 can be re-classified in this way. The recipients of the *Iftar* hosted by RHB Banking Group were orphans and students of Islamic schools. CIMB Islamic bank's financial support for YADIM-built long-houses benefited *Bumiputera* or ethnic minorities in Sabah. The "Relief Assistance Programme" organized by Public Islamic Bank supported flood victims. In each case, recipients were Malaysian residents.

The following are examples of CSR activities that support those living outside Malaysia. Some targets of CSR activity are foreign Muslims. Yet other CSR activities support foreign Non-Muslims. Firstly, a popular way to support foreign Muslims facing difficulties is to donate to the Red Crescent Society, an Islamic aid organization. Malaysian people and IFIs take Muslim refugees to mean not only Palestinian or Syrian refugees, but also Rohingya refugees recently evacuated from Myanmar. Support for foreign non-Muslims is exemplified by RHB Banking Group's March 2011 donations to the Japanese Chamber of Trade and Industry Malaysia and the Japan Club of Kuala Lumpur for victims of The Great East Japan Earthquake¹⁰. These cases show that targets of IFI CSR activities include not only foreign Muslims like Palestinians, Syrian and Rohingya refugees, but also Non-Muslims, like Japanese victims of natural disasters.

3.4 Timing of CSR Activities

The fourth way to categorize CSR Activity is by timing, that is, when the activity takes place. Some CSR activities correspond to other events. These occurrences include wars that cause refugees, or natural disasters that produce victims. National and international tragedies may trigger IFIs to carry out CSR activities. Since wars and natural disasters happen on an irregular basis, corresponding CSR activities do too, as in the case of RHB Banking Group's donations to victims of the Great East Japan Earthquake.

Some IFI CSR activities are carried out periodically, corresponding to regular events. In particular, Islamic customs in *Eid al-Fitr*, the month of *Ramadan*, *Eid al-Adha*, or the month of *Dhu al-Hijja*. RHB Banking Group's *Iftar* event, with charity guests is a typical example. Examples of non-Islamic periodic events which attract IFI CSR activity are cultural events like *Qirat* competitions¹¹, sports tournaments, or national events like Independence Day.

3.5 Summary

Table 1 summarizes typology and content of IFI CSR activities. This table also categorizes IFI CSR activities as follows: (i) management form, (ii) contribution by IFI, (iii) target recipient of CSR activity, and (iv) timing of CSR activity. It is obvious through this classification how Islam relates to IFI CSR activities. The next section further explores the relationship between IFI CSR activities and Is-

Table 1

Classification	Definition	Type
Management form	How does the IFI engage with CSR activities?	Organizing events on its own initiative
		Supporting other NPO/NGOs' events
		Participating in events hosted by other bodies
Offerings by IFI	What resources does the IFI provide to CSR activities?	IFI's own money or commodities
		Human resources - employee time
		Islamic financial commodities, services, and/or facilities free of charge
Recipients	Who are the target recipients of the CSR activities?	Muslim / Non-Muslim
		The socially vulnerable
		In or outside Malaysia
Timing	What occurrence is related to the CSR activities?	Irregular: related to wars or natural disasters
		Periodic: related to Islamic customs
		Periodic: related to national events

Source: Author

lam.

4 CSR Activities Based on Islam

The previous section dealt with CSR activities by IFIs in Malaysia. This section, therefore, aims to clarify (i) how Islam is related to IFI CSR activities, and (ii) what Islamic values are realized through these activities.

4.1 Islam in CSR Activities

It is possible to discern Islamic rationale by examining IFI CSR activities. As an example, this subsection aims to find the Islamic rationale behind RHB Banking Group's *Iftar* event for employees and orphans, held as part of the group's CSR activities during *Ramadan* month in 2013. We look at three Islamic characteristics in this case: (i) Islamic matters and motivation for *Iftar*, (ii) timing for *Iftar*, and (iii) characteristics of the *Iftar* event's recipients.

Firstly, *Iftar* is closely related to fasting, one of Five Pillars of Islam. Fasting, especially during the month of *Ramadan*, is a Muslim's duty (*wajib*). Muslims fast from dawn to sunset, but are able to eat and drink overnight. Sharing evening meals with relatives during fasting periods is a popular custom in all Muslim countries. In this spirit, IFIs sometimes share *Iftar* with guests like customers, employees, stakeholders, and shareholders.

The second Islamic characteristic of *Iftar* as an IFI CSR activity is timing. *Iftar* events must clearly be organized during *Ramadan* month. If IFIs wish to invite guests to share meals, they need not host breakfast parties during *Ramadan* month. IFIs place a high value on arranging *Ramadan* month events because of *Hadith* which encourage them to do so. For example:

“Narated by Ibn ‘Abbas: Allah’s Apostle was the most generous of all the people, and he used to reach the peak of his generosity in the month of Ramadan when Jibril met him. Jibril used to meet him every night of *Ramadan* to teach him the *Quran*. Allah’s Apostle was the most generous person, even more generous than the strong uncontrollable

wind (in readiness and haste to do charitable deeds).” (*Bukhari* 1:1:5)

In following the *Bukhari Hadith* above, Muslims traditionally donate more positively during *Ramadan* month. IFIs have also found greater appeal in donating during *Ramadan* month, and have so begun *Iftar* events.

The third Islamic aspect of *Iftar* organized by RHB Banking Group lie in the choice of guests. Five hundred employees were invited to *Iftar* to acknowledge their services. As employees are company stakeholders, taking care of them is an effective CSR activity to raise “Employee Satisfaction”. However, there are no clear Islamic principles in acknowledging staff¹². The important Islamic aspect is the 120 orphans invited as guests. The *Quran* condemns unfair treatment of orphans, and asks Muslims to protect them. The following verses emphasize this.

“So as for the orphan, do not oppress [him].” (93:9)

“And give to the orphans their properties and do not substitute the defective [of your own] for the good [of theirs]. And do not consume their properties into your own. Indeed, that is ever a great sin.” (4:2)

The socially vulnerable to be helped and supported includes the aged, the disabled, victims of natural disasters, refugees, and IDPs. Helping and supporting the socially vulnerable is common between religions, cultures, and societies, including Islam. RHB Banking Group, however, invited orphans to *Iftar* on its own accord. This fact lends Islamic characteristics to RHB Banking Group’s CSR activity, because RHB Banking Group’s choice of charity recipients was clearly motivated by the Islamic ideal of orphan protection.

RHB Banking Group’s July 2013 *Iftar* CSR event, examined for three Islamic aspects - (1) Islamic motivation, (2) Islamic nature in timing, and (3) Islamic characteristics of recipient choice – point to RHB Banking Group’s CSR activity being strongly oriented towards Islam. These three points correspond to three of four categories in table 1 in the last section. Namely, Islamic characteristics are able to be found within offerings, recipients, and timing of the CSR activity, but not the first category (management form).

4.2 Islamic Values Realized through CSR Activities

Companies undertake CSR activities to define their corporate citizenship through building good relations with stakeholders. Building these relations include: (i) raising customer satisfaction by anticipating or responding to customer demand for goods or services, (ii) raising Employee satisfaction by respecting the rights of workers, and offering vocational training, or education, (iii) paying dividends to and fulfilling agreements with creditors, business partners, shareholders, and investors, (iv) complying with the law, and paying requisite tax, (v) cooperating with global and local communities and NPO/NGOs to solve social or environmental problems, and (vi) disclosing appropriate information to the mass media.

This subsection aims to reconsider CSR activities in light of the above six characteristics from an Islamic perspective. In other words, this subsection aims to clarify the Islamic social justice ideals realized through IFI CSR activities. Firstly, the foremost partner with which an IFI should build good relationships is the local community to which the IFI belongs. Islam has the concept of *Ummah*, or a Muslim's human network. The development of *Ummah* based on Islam is considered equal to the development of each Muslims' own community, and also develops Islam itself. Therefore, it is each Muslim's duty to develop their own *Ummah*.

The *Quran* gives guidance on *Ummah* development: "And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be successful" (3:104). That is, the practice of *Shariah* enables each Muslim to develop their *Ummah*. According to this point of view, IFI CSR activity like *Iftar* charity events for local communities is recognized as developing *Ummah*.

The *Quran* and *Hadith* mention that the socially vulnerable should be supported as part of developing the *Ummah*. *Shariah* principles specify the socially vulnerable to be supported and how to support them. First in line for support are orphans (*yatim*). As mentioned above, the *Quran* prohibits orphan abuse and encourages providing them relief, like inviting them to *Iftar*. Next in line for pro-

tection are widows (*armala*). Protection of widows became a priority in the *Quran* because many women became widows through civil wars on the Arabian Peninsula during Prophet Muhammad's lifetime. Therefore, it is said that Islam allows polygyny due to the same principle. The third group to be helped are the needy (*miskin*) and the poor (*faqir*). Both titles connote people facing difficulty in daily life who need societal donations (*zakat*) and support because of their poverty. The *Quran* (9:60) orders Muslims to apply *zakat* to support the needy and the poor. Fourth in line for care are petitioners (*shahhaddh*). The *Quran* says, "And as for the petitioner, do not repel [him]" (93:10). This quote means that how Muslims treat petitioners is an important factor in their hereafter. IFI CSR activities to directly support the four types of socially vulnerable, their local communities, or the NPO/NGOs which also help them, fulfill both CSR and Islamic ideals.

IFIs may choose to donate money and/or supplies as a CSR activity. In Islam there are two types of donation: *zakat* and *sadaqah*. Firstly, *zakat*, one of five pillars of Islam, stipulates a certain portion¹³ of assets to be donated annually by each Muslim. *Shariah* principles determine how to spend *zakat* gathered by an authorized body. The *Quran* (9:60) says,

"Zakat expenditures are only for the poor and for the needy and for those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah".

Furthermore, the behavior where one Muslim contributes possessions to another Muslim is termed *sadaqah*. *Sadaqah* includes not only money over and above *zakat* but also non-financial good deeds. *Sadaqah*, unlike *zakat*, is categorized not by duty (*wajib*) but by commendable actions (*mustahabb*). According to the *Quran* (2:215), "whatever you spend towards good is [to be] for parents and relatives and orphans and the needy and the traveler".

IFIs contribute both *zakat* and *sadaqah*. Firstly, *zakat* is calculated according to corporate financial statements by an IFI Shariah board, the external audit

body comprised of specialists in Islamic jurisprudence (*Usul al-Fiqh*) or Islamic transaction/commercial law (*Fiqh al-Mu'amalat*). In Malaysia, Zakat Collection Centers (*Pusat Pungutan Zakat*, PPZ) of the Islamic Religious Council in each state are bodies authorized to gather *zakat*. IFIs then pay *zakat* to the PPZ¹⁴ not on behalf of its customers, shareholders, or employees, but as a juridical person. The *zakat* calculated from an IFI's financial statements is strictly separate to the *zakat* the IFI gathers from Malaysian Muslims to pass to the PPZ.

IFIs also contribute resources directly as *sadaqah* to the needy, without using authorized intermediaries. *Sadaqah* contributions include assets, commodities, branch networking functions, and human resources like volunteer staff and their families for charity events.

4.3 Summary

IFI CSR activities accord with Islamic ideals in the *Quran* and *Hadith*, especially in purpose, content, and recipients. The targeted social problems and recipient community local to the IFI also correspond with the Islamic principle of developing the *Ummah*. In fact, many IFI CSR activities, like the *Iftar* event above, are Islam-oriented in all three aspects: (i) Islamic purpose, (ii) Islamic timing, and (iii) Islamic characteristics of recipient choice. Therefore, it is possible to conclude that IFIs comply with *Shariah* principles in conducting CSR activities as well as their core business of providing financial product.

5 CSR Activities in Malaysia

The previous section places the content and purpose of FI CSR activities within the Islamic value system. As a result, it is clear that these activities attempt to respond to demands of social justice and the ideals of Islam. The above discussion, however, lacks two unique and important issues to Malaysian society. One is how values and social justice can be shared within Malaysia society, which includes diverse values and ideas of justice from religions, races, cultures, and histories other than Islam; unlike near-homogenous Muslim countries in the Middle East and

North Africa. Values independent of Islam exist in Malaysia society because Malaysia is multi-ethnic and multi-religious. The other issue concerns the uniqueness of IFI CSR activities given the values and social justice concepts in Malaysian society. In other words, a discussion of relationships between value systems other than Islam and IFI CSR activities is needed. This section aims to deal with the above two arguments in clarifying the roles IFIs attempt to play as corporate citizens through their CSR activities.

5.1 Social Justice in Malaysian Society

The first topic in this subsection is locating Islam within the context of Malaysian society. According to Article 3(1) of Malaysian Constitution, Islam is the official religion of the Federation. Secondly, the proportion of Muslims in Malaysia's population is 61.3%¹⁵. Muslims are the majority in Malaysian society. Muslims and Islamic thought permeate the levels of Malaysian society, from federal governance to grass-roots.

Islam, however, is not the only impact on Malaysian society. Article 3(1) of Malaysian Constitution also says, "... but other religions may be practiced in peace and harmony in any part of the Federation". This sentence is interpreted as permission to freely practice religions other than Islam. The remaining 40% of Malaysians consist of Buddhists (19.8%), Christians (9.2%), Hindus (6.3%), and followers of other religions¹⁶. Under these circumstances, Malaysia's federal government aims not to rule the country under Islam, but to foster unity among different ethnic groups and religions.

Najib Razak - the sixth prime minister of Malaysia - assumed office in April 2009 and has implemented a series of policies to foster national unity and ethnic tolerance under the political slogan "1 Malaysia". According to Najib, the core concept of "1 Malaysia" is "a belief in the importance of national unity irrespective of race or religious belief"¹⁷. Similarly, Hasnul Mohamad Salleh says as follows;

"Since independence, national unity has been made top priority – unity

in education, culture, socio-economics, politics, regions, etc. 1 Malaysia seeks to improve the relations of all Malaysians, regardless of racial, religious or cultural backgrounds” (Hasnul: ND).

Najib’s cabinet has implemented many policies towards this end. Examples include “1 Malaysia Clinics” to provide health care for lower income classes, and the “1 Malaysia People’s Housing Programme (PR1MA)” to develop affordable housing for middle-income households.

Islam has predominance in Malaysia by being the religion of Federation and the majority of the population. In addition, Islamic finance is an industry promoted by the Federal government. As a result, IFIs basing their financial businesses and CSR activities on Islam gain the approval of Malaysia’s government and society. That is, unless IFIs aim to subvert the government or society by financing or supporting anti-government, perhaps Islamist, terrorist organizations. At the same time, 40% of Malaysia is non-Muslim. National unity beyond religious and ethnic differences is the hope of Malaysia’s government and society. Najib’s political slogan symbolizes this hope.

5.2 Originality of IFI CSR Activities in Malaysia

The first purpose of this subsection is to identify the originality of IFI CSR activities in Malaysia, by comparing them with IFI CSR activities in other countries. As mentioned above, while Muslims who hope for the realization of Islamic ideals are the majority, national unity and ethnic tolerance are also political goals. Therefore, the second purpose of this subsection is to examine the social justice goals of Malaysian society, by examining the originality of Malaysian IFI CSR activities.

The purpose and content of CSR activities are generally influenced by the values, history, culture, and social justice ideals shared by a company’s host country or community. In Japan, for example, many companies have grappled with environmental preservation activities. Pollution problems, namely destruction of the environment and health hazards like *Minamata* disease¹⁸, were caused by Jap-

anese companies during the modernization and industrialization of Japan from the Meiji period (1868-1912) to the 1960s. At that time, these companies were held strictly liable for problems caused by their pollution. As a result, Japanese companies began to proactively undertake environmental preservation activities. In contrast, Malaysian CSR activities are not as environmentally active as those in Japan. It does not mean that Malaysians disregard the environment or its protection so much as it means that environmental destruction and health hazards have not occurred in Malaysia to the extent that they have become social problems, and a target for CSR activities.

There are differences in CSR activities between Malaysia and Middle East countries. As mentioned in subsection 3.2, it is popular for IFIs in Middle East countries to support employee blood donation. For example, Dubai Islamic Bank regularly hosts blood donation campaigns. Thalassemia and other inherited autosomal recessive blood disorders is prevalent enough to be a public concern in Middle East countries. Because blood donation is required to treat this disorder, blood donation is seen as a social justice matter, far more so than in South East Asian countries where the disease and hence IFI CSR blood donation drives are far less common.

IFI CSR activities towards social justice goals shared across Malaysian society are based on the ideals of national unity and ethnic tolerance. These ideals and activities which focus on them are unique to Malaysia..

This social justice ideal lies behind CIMB Islamic Bank's aforementioned contribution to the Rungus people's longhouses, and Bank Islam Malaysia Berhad (BIMB) hosting *Iftar* in Miri, Sarawak during *Ramadan* month in August 2011¹⁹. Although an *Iftar* CSR event is typically Islam-oriented. This event is distinguished by the characteristics of guests that BIMB invited to Eastwood Valley Golf and Country Club. The invitees were 143 orphans and elder persons arranged by the Sarawak Orphans Welfare Board and Miri Home for the Aged. Miri Chinese Charitable Trust Board which runs Miri Home for the Aged is not run by Muslims, but by Chinese Christians and Chinese Buddhists. BIMB inten-

tionally invited non-Muslims – Christians and Buddhists - to *Iftar*.

While Islamic significance is attached to hosting *Iftar*, non-Muslims do not find religious significance in *Iftar* from the perspective of their own religions. Khairul Kamaruddin, general manager for consumer banking of BIMB explained the secular significance of non-Muslims attending *Iftar* as follows:

This small gesture will, hopefully, inculcate the spirit of caring for the elderly within the community where Bank Islam (Malaysia Berhad) operates, and create an environment where everyone can enjoy the occasion as a family regardless of their race and religion”.

Therefore, inviting non-Muslims to *Iftar* has two meanings: realizing Islamic ideals in a CSR activity, and collaborating with greater Malaysian society as a stakeholder to substantiate a national unity based on social justice.

5.3 Summary

Islam is both an official and majority religion in Malaysia. However, Malaysia’s federal government promotes a series of unity policies, named “1 Malaysia”, casting national unity and racial harmony as essential to solving Malaysia’s social problems. Malaysians expect IFIs as good corporate citizens to carry out CSR activities towards these ends.

Aspects unique to each nation can be found by comparing CSR activities between Islamic countries. Malaysian CSR activity is influenced strongly by Malaysian society’s ideas of social justice, exemplified by inviting non-Muslims to one’s *Iftar* event. In the case of BIMB’s *Iftar* in 2011, the cause and content of this CSR activity were certainly oriented towards Islam. Although the guests included non-Muslims, it is probable that BIMB hosted *Iftar* to contribute *sadaqah* towards non-Muslim NPOs to foster relationships between Muslims and non-Muslims. Because this *Iftar* was a CSR activity aimed at social problems in the local community it also coincided with Malaysian social justice ideals.

6 Conclusion

This chapter aims to clarify the content of IFI CSR activity and elucidate on exactly what social justice in Malaysian society is realized by IFI CSR activity. The above can be summarized as follows: CSR activity to address social problems independently or through collaboration with local communities and NPO/NGOs varies between countries and regions, according to diverse local social problems and ideas of social justice. The current Najib administration promotes Malaysian national unity and ethnic tolerance as social justice goals. Companies as good corporate citizens are expected by the government, people, and society, to play a role in realizing these goals in order to solve the country's social problems.

Malaysian IFIs carry out many kinds of CSR activities to fulfill societal needs. Components of CSR activities are motivated by and oriented to Islamic ideals. That is, rituals like fasting during the month of Ramadan, pilgrimages to Mecca, or values to develop the *Ummah* and protect the socially vulnerable. But in some cases, like BIMB inviting Christians to *Iftar*, non-Islamic factors are involved. Whether CSR activities are wholly, or partially based on Islam they may bolster national unity and ethnic tolerance – uniquely Malaysian social justice goals – and so remain praiseworthy.

IFIs do not perform: (i) CSR activity towards Malaysian social justice but containing anti-Islamic factors, or (ii) CSR of an Islamic nature, but contrary to Malaysian social justice ideals. Even if IFIs were to engage in such activities, they would not be widely accepted by Malaysian society. An IFI celebrating Christmas with Christians or Wesak Day with Buddhists, or an IFI donating to Islamist anti-government terrorist organizations are examples of activities that are out of step with either Islamic or Malaysian social justice ideals. These kinds of activities have not been, and will likely not be held.

Malaysian IFI CSR activities on one hand are based on Islam because IFIs advocate *Shariah* compliance. On the other hand, IFIs also carry out CSR activities towards national unity and ethnic tolerance, taking into account local circumstances. Balancing Islamic and national unity ideals in IFI CSR activities

varies according to the balance of values shared within Malaysian society because ultimately, IFI CSR activities depend on shared values within its host country.

Notes

- 1 The Islamic Banking Act and Takaful Acts were replaced by the Islamic Financial Services Act in 2013.
- 2 Some development financial institutions or government-owned banks under the jurisdiction of the Ministry of Finance transact in Islamic financial commodities and services.
- 3 http://www.treasury.gov.my/index.php?option=com_content&view=article&id=972%3Alaunch-of-bursa-malaysias-csr-framework-for-plcs&lang=my (Access on 23rd June 2014)
- 4 IMB Group (2013), *Sustainability Report 2013*, Kuala Lumpur: CIMB Group.
- 5 <http://www.nst.com.my/streets/central/rhb-organises-buka-puasa-event-in-13-states-1.328858> (Access on 23rd June 2014)
- 6 http://web6.bernama.com/bernama/v3/bm//news_lite.php?id=1003426 (Access on 23rd June 2014)
- 7 http://www.rhb.com.my/corporate_profile/media/2007/11-29.html (Access on 23rd June 2014)
- 8 http://www.albawaba.com/business/pr/islamic-bank-blood-donation-428330?quicktabs_accordion=2 (Access on 23rd June 2014)
- 9 http://www.pbebank.com/corporate/cnt_press386.html (Access on 23rd June 2014)
- 10 http://www.rhb.com.my/corporate_profile/media/2011/03-24.html (Access on 23rd June 2014)
- 11 A *Qirat* competition is judged according to *Quran*-reading skill.
- 12 There is no doubt that catering for RHB's employees in the *Iftar* event included Islamic characteristics.
- 13 The proportions of *zakat* depend on each Muslim's assets. For example, 10 % of agricultural products, 2.5% of gold, silver, or commodities, or 2.5~3.3% of live-stock should be provided as *zakat*.
- 14 <http://www.zakat.com.my/info-ppz/piagam-pelanggan> (Access on 23rd June 2014)
- 15 CIA World Factbook, "Malaysia" <https://www.cia.gov/library/publications/the-world-factbook/geos/my.html> (Access on 23rd June 2014)
- 16 CIA World Factbook, "Malaysia" <https://www.cia.gov/library/publications/the-world-factbook/geos/my.html>

world-factbook/geos/my.html (Access on 23rd June 2014)

- 17 <http://www.1malaysia.com.my/en/my-record/1-malaysia/> (Access on 23rd June 2014)
- 18 *Minamata disease* (水俣病) is a neurological syndrome caused by severe mercury poisoning. An outbreak of *Minamata disease* was caused by *Chisso's* (チッソ, Japanese chemical company) improper handling of mercury. In Japan, *Minamata disease* is recognized as the symbol of pollution problems and the dark side of Japan's economic development.
- 19 <http://www.theborneopost.com/2011/08/13/bank-islam-brings-ramadan-cheer-to-city-folk/> (Access on 23rd June 2014)

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